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United Arab Emirates

Exporter Guide

Exporter Guide for Bahrain, Kuwait, Oman, Qatar and the UAE

2007

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Report Highlights:

Exports of U.S. food products to the Arabian Gulf countries climbed to nearly \$500 million in 2006 as food retailing and processing develop, tourism and business travel expand, and population and incomes rise. Dubai continues to serve as the regions trading hub and U.S. exporters who are willing to ship in smaller quantities and comply with local labeling requirements will find thriving retail and hotel sectors in countries that are highly dependent on food imports to meet the needs of consumers.

Includes PSD Changes: No
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SECTION I. MARKET OVERVIEW

The Gulf Cooperation Council-5 (GCC-5¹) countries covered by the Agricultural Trade Office are a relatively homogeneous group of small nations with a total population of 12 million. Oil revenues are an important source of revenue and per capita income levels are high (Qatar \$60,000, U.A.E. – \$49,700, Kuwait – \$32,000, Bahrain - \$22,500, and Oman - \$14,400).

Of the five countries, the United Arab Emirates (U.A.E.) is the largest market for food products, followed by Kuwait. Within the U.A.E., Dubai is the country's commercial center and the region's trade hub. Efficient infrastructure (sea and air ports), large free trade zones and a strong business orientation help provide the tools to make Dubai an important commercial center for the Middle East and beyond. Dubai derives sizable revenue from the re-export business and invests heavily in infrastructure development, while working to attract foreign investment and buyers. Other countries in the region and other Emirates, particularly Abu Dhabi, the capital of the U.A.E, are following Dubai's lead in an effort to improve infrastructure and attract business interests.

The harsh climate, limited water resources and poor soil conditions are a barrier to increased agricultural production in the GCC-5. Consequently, the countries must import nearly 90 percent of their food, raw materials for further processing, and feed requirements. Annual GCC-5 food imports are estimated at \$9 billion, of which the U.A.E. share is about 60 percent. Rising populations and a dollar peg for all but one of the GCC-5 currencies have helped to boost exports of U.S. agricultural products to the GCC-5, particularly of consumer-ready food products which account for about 60 percent of total U.S. food exports. Accurate re-export trade data is not available, it is estimated that 40-50 percent of U.A.E. food imports are re-exported to Middle Eastern, Asian and African countries. In 2007, consumer food import growth is projected at 5-percent given the growth in population, the growing business and tourism travel trade, and the growing number of foreign workers who are drawn to the region.

Most consumer demand for seafood products is met through local production and imports from Oman, Iran and India. High-end specialized items are imported from other countries, particularly the European Union. Small quantities of specialty U.S. sea foods are exported to the region.

Population growth rates across the region are estimated at 3.5 percent annually. An interesting aspect of the GCC-5 population is that in Kuwait, Qatar and the U.A.E., the local population is outnumbered by expatriates, the majority of whom are from Asia, particularly the Indian subcontinent, and, to a lesser extent, from other Arab countries. These expatriate groups tend to perform manual labor and also occupy a sizable share of the clerical, technical and middle and upper management positions. A sizeable number of Western expatriates also work in professional positions. In Dubai, home to the regional headquarters of most multi-national companies operating in the Middle East region, the expatriate population comprises and estimated 80 percent of the population. The expatriate community throughout the GCC influences food product imports. Of the local population, a high percentage travel annually to the West and many obtain university degrees abroad, both factors expose these consumers to Western and U.S. foods. With the spread of international television via satellites, consumers buying decisions are influenced more and more by region-wide advertising campaigns.

¹ Bahrain, Kuwait, Oman, Qatar, Oman and the U.A.E.

Table 1. U.S. Agricultural Exports to the GCC-5 Countries (Million U.S. Dollars, FOB)

Country	CY 2004	CY 2005	CY 2006	January – August Comparison	
				CY 2006	CY 2007
Bahrain	19.5	15.9	17.0	10.8	12.7
Kuwait	81.7	83.5	85.4	54.0	75.7
Oman	21.0*	14.0	17.2	12.0	23.3*
Qatar	11.5	15.8	18.7*	11.3	14.6
U.A.E.	363.9*	296.3	358.6	168.5	266.7
Total GCC-5	497.6*	425.5	496.9	256.5	392.7

*Record

<i>Advantages</i>	<i>Challenges</i>
<i>High quality image of U.S. products.</i>	<i>High price of U.S. goods</i>
<i>Weak dollar provides advantage as most currencies are pegged to the dollar</i>	<i>Higher freight rates for U.S. foods compared to other suppliers</i>
<i>High regional per capita incomes.</i>	<i>Significant competition from producers in EU, Asia, Australia, New Zealand and, increasingly, from local and regional processors.</i>
<i>Broad familiarity with U.S. culture.</i>	<i>Large Indian subcontinent population with easy access to "home grown" products and modest incomes.</i>
<i>Increasing interest in U.S. products.</i>	<i>Lack of interest from some U.S. exporters who are not willing to entertain small orders, consolidate shipments and meet local labeling requirements.</i>
<i>Increasing number of tourists to Bahrain, Oman and the U.A.E. in particular; U.S. military presence in Kuwait.</i>	<i>Importers often want to start with small quantities and consolidate shipments.</i>
<i>Low tariffs and relatively transparent import procedures.</i>	<i>Finished products must carry production/expiry dating and should carry Arabic labels in most markets.</i>

SECTION II: EXPORTER BUSINESS TIPS

1. Study Each Market: This may seem like obvious advice, but importers often complain that U.S. suppliers are not well informed about local market conditions and requirements, that are regularly updated. Market information and trade data for the GCC-5 can be obtained internet at <http://www.fas.usda.gov>. Information on ATO Dubai activities as well as related useful links in the United States and the GCC-5 countries may be obtained via the Internet from the ATO Dubai Home Page at <http://www.usembabu.gov.ae/atodubai.htm>

2. Visit the Region: Making personal contacts is perhaps the single most important action a U.S. company can take. Letters, faxes and e-mails alone do not generally suffice in terms of generating serious interest among potential buyers. Repeat visits are also important as they demonstrate a commitment to the market.

3. Participate in the Gulfood Show: If serious about penetrating this market, attending the Middle East's largest food show, the annual Dubai-hosted Gulf Food, should be part of your strategic plan. Nearly 70 percent of U.S. exhibitors return to participate in future Gulf Food shows. This event has grown to be the most important food trade show in the Middle East and attracts trade visitors from around the region. Please contact ATO Dubai for more details about the February 24-27, 2008 exhibition. Note: Contact your state department of agriculture to learn if support can be provided for your participation in this show.

4. Exhibit at a Major U.S. or International Food Show: If you cannot visit the region or attend Gulfood, notify potential customers of your participation in various U.S. or international food shows. Give your contacts plenty of advance notice so travel arrangements can be made. Each year approximately 40-50 major GCC-5 based food importers travel to the U.S. and foreign food shows such as ANUGA, SIAL, the Food Export Showcase, Private Label Show, NRA, Bakery Ingredients, SNAXPO and Fancy Foods.

5. Target Reliable Importers: In addition to the foreign buyers list which is available through the Overseas Trade Support Branch (OTSB)/Office of Trade Programs/FAS/Washington, which can provide a list of local importers, by product, ATO Dubai (Fax: 971-4-311-6189; E-mail: atodubai@usda.gov) can provide a directory of GCC-5 companies known to be importing U.S. food products. This directory is arranged by product category, brand and country.

6. Study Local Food Regulations and Requirements and Be Prepared to Discuss Product Price, Preferably on a C&F Basis: Be sure to include the cost of label modification to meet local regulatory requirements. Production and expiry dates are mandatory on the original package label. You may also be required to include an Arabic label or sticker on your product. The GCC countries are currently finalizing changes to labeling and shelf-life standards and better compliance with Codex Alimentarius guidelines is expected.

7. Bring Samples and be Prepared to Discuss Marketing Strategy and Possible Promotional Assistance: Samples are an important market introduction tool. To help encourage introduction of new-to-market products, offering importers assistance with advertising, in-store displays and even price discounts may be necessary.

8. Help Advertise: Print advertising is perhaps the most cost effective means of promoting a new product. Television advertising is quite effective if targeting a regional audience, but very expensive.

9. Provide Website URL: Provide contacts and consumers with contact information through which they can submit queries on the products. Websites help importers to browse through your line of products and view your label.

10. Be Willing to Entertain Smaller Orders, to Consolidate Shipments, or to Share a Shipment with Someone: In many cases, local importers will want to purchase small initial quantities, particularly for new-to-market products, to test the product's market potential and to develop the supplier/buyer relationship.

11. Be wary of agency agreements: These agreements have been virtually impossible to terminate without penalty in some of the GCC-5, even if the local company fails to comply. Fortunately a relaxation in agency agreement law is underway in GCC countries. Legally it is no longer required in the U.A.E. and Oman.

SECTION III: MARKET SECTOR STRUCTURE AND TRENDS

In 2006, U.S. agricultural, fishery and forestry product exports to the GCC-5 totaled \$497 million, of which 60 percent were consumer-ready foods and beverages. ATO Dubai estimates that 55 percent of this trade went directly to food retail. In the case of the U.A.E., reliable trade sources estimate that 40-50 percent of imported foods are re-exported to other GCC countries, East Africa, Iran, Iraq, Yemen, former Soviet Union countries, and South Asia.

The Hotel, Restaurant and Institution (HRI) sector consumes about 40 percent of imported U.S. consumer-ready foods and beverages, particularly red and poultry meats. The HRI sector is expanding in the GCC-5 markets as countries work to further develop their tourism and business sectors. According to some projections, the UAE will add an additional 50 five star hotels over the next few years. Institutional demand is driven in large part by large labor camps that provide housing for laborers and middle to lower wage workers, many of whom are from South Asia. Semi-processed commodities like frozen chicken and rice are more in demand in this sector as compared to more highly processed food products. U.S. military troops and ships are served by the catering sub-sector. While food is often shipped directly from the United States, local distributors and caterers also supply certain items. Kuwait has become an important re-export center for the military presence in Iraq. Products of particular demand in the HRI sector in the GCC-5 include red meat, poultry meat, dairy products, rice, edible oils, nuts, processed and fresh fruits and vegetables, snack foods, and shell eggs.

There are an estimated 300 food processing firms in the UAE and a smaller number of food processors in other Gulf countries such as Kuwait and Bahrain. This sector consumes much of the bulk, intermediate and semi-processed products the United States sells to the region. In the food-processing sector, U.S. ingredients are mainly used in the following product categories – flour and bakery products, vegetable oil, canned beans, carbonated beverages, chicken franks, manufactured snack foods and reconstituted juices. The U.A.E. recently added 2 major soybean crushing facilities with a 6 million metric ton processing capacity/year. They are currently used for crushing rapeseed and soybeans for the production of oil and meals. Soybeans are sourced from the United States and Latin America. Local dairies and poultry farms are not large enough to meet local demand. Consequently, a number of local companies reconstitute dairy products from milk powder, primarily sourced from Europe, New Zealand and Australia. It is expected that an increasing number of multinational food companies will look to tie up with local processors. A major U.S. food manufacturer is currently setting up a cheese processing plant in Bahrain.

More details on the food-processing sector in the U.A.E. are available in the Food Processing Sector Gain Report #TC7004, dated March 15, 2007 [USDA Foreign Agricultural Service \(FAS\) — Attache Reports](#).

Food Retail Consolidation: Like many developed countries around the globe, the food retail sector in the Gulf region is undergoing consolidation due to greater competition. Third country-origin hypermarkets are transforming the local retail sector by forcing local entities to expand and/or upgrade existing facilities to remain competitive. A major U.A.E.-based importer, distributor and retailer is upgrading and expanding its hypermarket/mega store chain in the region. Several other local retailers are doing the same, targeting both upscale and more middle class consumers and trying to fill particular niches for premium foods. These retailers often rely on customer feedback in making purchasing decisions. Consumer cooperatives only exist in the UAE and Kuwait markets. While they dominate almost 80 percent of the retail market in Kuwait, they have a 25 percent market share in the U.A.E. In addition to their loyal local shareholders and customers, the coops attract a wide range of middle class consumers of Arab and Indian origin. Several retail chains provide home delivery service to their customers. The casualties of this competition will likely be small and some medium-sized groceries, depending on their locations. Most mom-and-pop stores, however, should survive given the multiple services they provide to their customers.

Tourism's Potential: The Gulf region offers business and casual visitors excellent wintertime weather, a long inviting coastline for water activities, and first-rate hotels with top quality food and services. In addition, the region offers some of the richest international events ranging from golf and tennis tournaments, formula 1 car racing (in Bahrain and UAE), horse-racing's largest purse (Dubai), power boat racing and a host of trade events that garner broad attendance from across the Middle East and beyond. The GCC-5 countries, Dubai, U.A.E. in particular, are working hard to make travel to this region more pleasurable. Overall, ATO Dubai projects U.S. food export growth to the GCC-5 at 5-10 percent annually for the next few years.

Trends in promotion/market strategies and tactics: Promotions and aggressive product marketing are essential, in view of the intense competition between countries, companies and brands, not only to gain but to also maintain market share. Newcomers to this market should be prepared to include product marketing and promotional support in their plan as the importer may not be prepared to invest in new-to-market products without initial support from the supplier.

While the spread of satellite channels are making multi-market advertenting easier, the cost is expensive. Regular in-store promotions and newspaper ads are still the most commonly applied advertisement tools in this field.

SECTION IV: BEST HIGH-VALUE PRODUCT PROSPECTS

- | | |
|---------------------------------------|---------------------------------|
| 1. Almonds (shelled) | 9. Condiments and Sauces |
| 2. Beef & products (chilled & frozen) | 10. Breakfast Cereals |
| 3. Poultry Meat (frozen parts) | 11. Confectionary Products |
| 4. Snack foods | 12. Frozen Vegetables |
| 5. Fresh Apples & Pears | 13. Pulses |
| 6. Edible oils | 14. Planting Seeds |
| 7. Cheeses | 15. Sweeteners & Beverage Bases |
| 8. Fruit and vegetable juices | 16. Pet Foods |

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

U.S. MAILING ADDRESS: U.S. AGRICULTURAL TRADE OFFICE
6020 Dubai Place
Dulles, VA 20189-6020

LOCAL MAILING ADDRESS: U.S. AGRICULTURAL TRADE OFFICE
U.S. CONSULATE GENERAL
P.O. BOX 9343
DUBAI, UNITED ARAB EMIRATES

TELEPHONE: +971-4-311-6183 OR 311-6100
FAX: +971-4-311-6189
E-MAIL: atodubai@usda.gov
INTERNET HOMEPAGE: www.usembabu.gov.ae/atodubai.htm

Pertinent Government Food Import Contacts:

Bahrain: Dr. Abdullah Ahmad, Head of Food & Water Control Section, Ministry of Health
Telephone: 973-17-273-683 Fax: 973-17-279-253
E-mail: aali7@health.gov.bh

Kuwait: Mr. Khaled Al-Zahmoul, Manager Imported Food Department
Kuwait Municipality
Telephone: 965-487-4969/5387 Fax: 965-487-9706

Oman: Mr. Saleh M. Al-Zadjali, Director
Specs. & Measure, Min. of Commerce
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Qatar: Dr. Gil Fraserchanporg, Director of Preventive Health,
Ministry of Public Health
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